

Memorandum

TO: House Government Reform Subcommittee on Federalism and the Census
FROM: William E. Mitchell II, Assistant Director of Planning and Development,
County of Westmoreland, PA
DATE: July 11, 2005
SUBJECT: Testimony, Hearing on *How has the Community Development Block Grant Program Shaped the Steel City* – July 18, 2005, 10:00AM at the Borough of Carnegie Municipal Building

Mr. Chairman, from the text of the letter, dated July 5, 2005, that we received from you your subcommittee is seeking input from practitioners involved in the day to day operation of Community Development Block Grant(CDBG) Programs in the Pittsburgh region. I am delighted that you invited the County of Westmoreland to participate in this endeavor because I believe that the county truly is representative of the region as a whole. And I am especially pleased to be here because I firmly believe that the region will rise or fall on the economic vitality of the central city and how that central city interacts with the surrounding region. Whether the outlying areas of the region are in agreement with this presumption is sometimes questionable, but the fact remains that the City of Pittsburgh and the outlying areas are one and the same economically. Since 1974 CDBG has been a valuable tool in assisting local governments of all sizes to remain viable, but more could be done to further enhance the region's vitality.

CDBG has proven to be an asset to the region and Westmoreland County in particular because the program has served this county for over thirty(30) years as a resource to help cities, boroughs, townships, etc. meet their community development, affordable housing and economic development needs. It is not just a tool for concentrated urban areas, it is a valued resource for outlying areas as well. Every municipality in this county has received assistance throughout the life of the program. In Congressman Murphy's District alone over 3,600 persons will benefit from activities programmed with FY2005 CDBG funds. Westmoreland County has utilized CDBG to provide assistance to municipalities for the construction/reconstruction of roads, bridges, sewers, curbs, sidewalks, water lines, etc. Non-profit partners have provided homeownership opportunities, transitional housing assistance, smart growth activities, elderly housing assistance activities, community centers and emergency assistance providers have received help in obtaining needed equipment that benefits the entire region.

Another often overlooked benefit of the CDBG Program is the professional staffs that are developed under its auspices. If the program should be eliminated a number of the staff would be laid off and this would negatively impact the region. Because of the nature of many of the other federal programs and state programs the loss of these experienced employees will mean that many of the region's local governments will no longer be capable of administering complex programs.

The region is also blessed with partners in the U.S. Department of Housing and Urban Development (HUD) at the local Pittsburgh Area Office that possess many years of experience in the administration of the CDBG Program, but just as importantly the local HUD staff is a source of technical assistance in other related areas. Our office consults with the local HUD staff extensively and these consultations are not always related to CDBG, but includes other federal, state and even private foundation resources. Disseminating ideas that assists constituents may not be quantifiable, but that service is just as important as passing out checks and that is one of the services provided to all of the local practitioners by the Pittsburgh HUD staff.

It is not just the money, it is the people and that tends to be overlooked!

That is not to say that Westmoreland County has always enjoyed harmonious relations with HUD in general. In the past there have been difficult times because over the life of any program the process of the program becomes paramount in some minds while the delivery of the service to the constituency intended to be benefited becomes secondary. There is one instance in particular in our program history that reflects that attitude and most of the problem that was generated was the creation of the HUD Central Office in Washington, D.C. I will not bother to review that instance unless the subcommittee desires it. All in all, HUD has been a positive force for the betterment of CDBG intended constituencies.

Last year CDBG celebrated its 30th anniversary since being signed into law by President Ford in 1974. The program still has widespread bipartisan support within the nation and in Congress. Just look at the number of House and Senate member sign-on letters to the Budget and Appropriations committees urging those committees to preserve the program, keep it at HUD and fund it at \$4.7B.

There is a lot that is “right” about the CDBG Program. It is a tool that allows grantees to leverage other public and private resources. This year the county is providing \$1.7M in CDBG Section 108 assistance toward the City of Greensburg’s downtown revitalization efforts. The inclusion of the CDBG funds will be leveraging approximately \$19.8M in other funds. This project is also in Congressman Murphy’s District. CDBG has been achieving results nationwide similar to those attained in the PA 18th Congressional District throughout its history. An analysis performed by an economist at George Mason University showed that, for the first 25 years of the program, CDBG funded projects created 2 million jobs and contributed over \$129B to the Gross Domestic Product (GDP). The program serves the intended clientele and that includes the 7 municipalities benefiting in the PA 18th Congressional District in 2005 as well as 15 other municipalities and 3 non-profits in the county in FY2005. The program does not lack “focus” as intimated by the Program Assessment Rating Tool (PART) utilized by the Office of Management and Budget (OMB). Congress stated its purpose in the 1974 Act: “The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income.” Moderate income is moderate income, not extremely low income. This broad statement of congressional intent provides grantees flexibility in their implementation of the program so that their, sometimes unique, community development

goals are addressed, not a goal created by a bureaucrat in Washington, D.C. with no local knowledge. This program creates and nurtures local initiative. This region needs more, not less of that!

The Pittsburgh region, in my opinion, is a depressed area. Additional assistance is needed! In the last decade this region (Allegheny, Beaver, Butler, Fayette, Washington and Westmoreland Counties) lost 212,500 in population. This is a 1.5% loss compared to a 3.4% gain for the Commonwealth of Pennsylvania as a whole. Just think of the gain for the state if it did not include this region. The Pittsburgh region lost 54% of its manufacturing jobs from 1970 to 2000. In 1970 manufacturing jobs accounted for 28% of total employment and in 2000 it accounted for 10% of all employment. If we are to remedy or at least attempt to address this situation CDBG will play a pivotal role. CDBG should be utilized as a catalyst to create economic opportunity for the region and not just for a single municipality. HUD should encourage grantees in the region to utilize the CDBG Program as a funding source for multi-municipal planning. The emphasis could be on economic development planning, transportation planning, etc. In the economic development area CDBG should be a tool for regional development by encouraging multi-municipal partnerships. Granted this is a lofty goal, but without regional cooperation, where is this region going. It should be made easier for grantees to work together on economic development projects and programs without regulatory interference so that a success for the region is really a success for the region and not considered a loss to one and a gain to another.

The "Anti-Pirating" rule should be resuscitated and implemented. That is the idea that one municipality that is a grantee cannot utilize CDBG funds in order to lure an establishment from another municipality. HUD had a proposed rule on this subject. In this region's case it is like moving chairs around on the deck of a doomed ship. By being in one place that is different, one may last a brief period of time longer, but the whole thing is going down anyway. As many of you may recall the defunct Urban Development Action Grant (UDAG) Program included "Anti-Pirating" regulations.

Volunteerism has been a priority for the current administration and for just about all prior administrations, but the utilization of volunteers is difficult to achieve, especially for small non-profits and small municipalities. If any one here has ever worked with small staff non-profits they know that the primary focus of the organization is the clientele they are attempting to serve. In some instances the primary goal of bureaucrats is, as stated above, the process that has been developed. So, given time and resource constraints, the non-profit will focus its time and resources toward the client, while the paperwork can follow. It is not hard to imagine the conflict this creates and in the CDBG realm it puts the grantee between HUD and the non-profit. One example of this is the regulations for Use of Volunteers on Projects Subject to Davis-Bacon ..., 24CFR Part 70. For a small non-profit or small municipality these rules are onerous. First they must request a determination from HUD that the volunteer's nominal expenses can be paid and this request is sent to HUD and HUD, will, supposedly, respond in 10 days. A project file must be kept that includes the following:

- a. The name and address of the agency sponsoring the project.
- b. A description of the project – location, cost, nature of the work.

- c. The number of volunteers and the hours of the work they performed. If there are paid workers on the site the names of the volunteers need to be recorded as well.

All of this information then must be forwarded to HUD. One small municipality decided to forego a project because they believed and, perhaps, rightfully so, that it would be necessary to have a municipal employee present to keep strict records of the project.

Another small municipality believes that a \$15,000 pavilion project turned into a \$27,000 pavilion project because of the federal procurement standards found at 24CFR Part 85. They contend that if they had been able to choose their own local contractors the project would have cost \$15,000 or less and the remaining resources could have been utilized to purchase playground equipment, park benches, tables and more. It is difficult to find fault with their position.

Another reform that I am sure that the subcommittee has heard about in its travels is the Davis-Bacon labor standards requirement. A CDBG project becomes a Davis-Bacon wage rate project if the project costs are \$2,000 or more. Therefore, nearly all CDBG projects are subject to the Davis-Bacon prevailing wage scale. Is it time to revisit the \$2,000 threshold? This threshold has been the topic of debate and discussions for my entire career, but it has never been altered in my career. By raising this level you will also solve the volunteerism issue as well because most of those smaller projects will not be subject to the regulations at 24CFR Part 70. Therefore, raise the Davis-Bacon exclusion to a level that does not adversely impact small municipalities and non-profits.

Fortunately for me I do not have a great deal of interaction with the Integrated Disbursement and Information System (IDIS) – there is another, less flattering, definition of the acronym, – and therefore, these comments are from members of the staff that utilize IDIS on a more regular basis. The first complaint is that the system is not Windows-Based and because of that it is too rigidly structured and inflexible. While many of the deficiencies have been corrected over the past two or three years, the nature of IDIS only allows a certain degree of flexibility. For example, IDIS does not allow reporting of benefit to low income persons for some activities, but forces the entry of such measurements as “number of public facilities.” The reporting should be standardized to report low income benefit for all activities since this benefit is central to CDBG. The instruction reference manual contains vague and ambiguous directions. In one instance the instructions direct the user to download and then press “ENTER.” If you do not press “ENTER” a second time the system does not continue to the next command. The instructions do not inform you of this anomaly.

The Westmoreland County Department of Planning and Development supports the continuation of the CDBG Program and its retention at HUD. We would appreciate a review of the program in the sense that making it more user friendly would produce even more positive results for the intended constituencies. Removing the inconsistent and sometimes contradictory rules and regulations would not only save resources, both time and

money, but would make the program even more popular with the practitioners and the beneficiaries.

I want to thank the subcommittee and the subcommittee's staff for their time and patience and I trust that the work that is being done will prove worthwhile for the CDBG Program and all the persons that are served. Again, thank you.